

MINUTES

MONTANA SENATE 57th LEGISLATURE - SPECIAL SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIR BOB DEPRATU**, on August 10, 2002 at 12:30 P.M., in Room 152 Capitol.

ROLL CALL

Members Present:

Sen. Bob DePratu, Chair (R)
Sen. Alvin Ellis Jr., Vice Chair (R)
Sen. John C. Bohlinger (R)
Sen. Mack Cole (R)
Sen. Pete Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Bill Glaser (R)
Sen. Dan Harrington (D)
Sen. Emily Stonington (D)

Members Excused: None.

Members Absent: None.

Staff Present: Lee Heiman, Legislative Branch
Deb Thompson, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 31, 8/23/2002
Executive Action: SB 31

HEARING ON SB 31

Sponsor: SEN. MIKE SPRAGUE, SD 6, Billings

Proponents: None

Opponents: None

Opening Statement by Sponsor:

SEN. MIKE SPRAGUE, SD 6, Billings, explained the bill was a conceptual idea for a seasonal sales tax. He gave the committee some information. **EXHIBIT(tas06a01)** He was advised to introduce the bill in the special session so that if they ran into a train wreck there would be a vehicle available. He advised it could be enacted here and implemented in April. He explained the handouts showed that 75% of tourists are here in a six-month period. The theory was to tax them while they're here. He also said he had a grandiose idea to apply all the money relative to the Governor's plan. He was informed that would be a revenue bill and would have to originate in the House. He then decided to put all the money in the general fund.

Proponents' Testimony: None.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. JON ELLINGSON advised he liked the idea of a seasonal sales tax. He expected it to be brought forward in the regular session to continue discussion. He liked the feature that Montanans could make their purchases during the months that tax was not imposed.

SEN. SPRAGUE said he got to thinking he didn't want to pick on boat dealers.

SEN. MACK COLE asked if it was a better tax than the value added tax **SEN. COLE** had introduced a few years ago.

SEN. SPRAGUE said he thought it had a lot of value and that sooner or later there would be a sales tax and he had supported them ever since he was here. He said in talking to people, they realize that there are many out of state cars on the highways. Recognizing a timing problem with past sales tax ideas, he said there was a window in time now in a time of emergency.

SEN. JOHN BOHLINGER asked about the exemptions in the bill and wondered what would be taxed.

SEN. SPRAGUE said all of the language was taken out of a previous bill. There was a consensus in working on that previous bill that those were untouchables. He said it was a laundry list of historical exemptions.

SEN. BOHLINGER asked with all of the exemptions in, if the tax was imposed when the fish are biting in June, July and August, what sort of revenue might be anticipated from the bill.

SEN. SPRAGUE said \$400 and \$500 million in the sixth month period were numbers that had been kicked around relative to the exemptions. He said 2/3 of it could be collected in the three month period.

SEN. BOHLINGER advised he liked what was being brought forward and would like to see further discussion. He wondered if **SEN. SPRAGUE** would entertain a motion to impose this tax only in June, July and August and see if it could be brought to the floor.

SEN. SPRAGUE asked if he meant legislators would enact this and **SEN. BOHLINGER** said absolutely. **SEN. SPRAGUE** said he thought that was a great idea. If it was an emergency fix for an emergency problem, three months would be better than no months and it might even be a good implementation practice session. In his opinion, 95% of business people were honest as tax collectors. It was his opinion the crisis would last 3-5 years.

SEN. BOHLINGER said he did not deny the electorate the opportunity to set aside any piece of legislation that might be enacted and thought that was one of the wonderful features of our constitution. But he thought that as elected representatives of the people, that they should have the courage to bring forward legislation that would meet with approval. He said he would like to provide an amendment to SB 31 to impose the tax only in the months of June, July and August.

CHAIRMAN BOB DePRATU expressed a definite conflict of interest as a business person. He thought the consequences for every business that sells a product for \$500 or more ought to be considered. He gave the example of his automobile business and the cost of sales. The tax would add \$1000 additional cost to the average sale price of a car. For \$1000 the customer in all likelihood would wait and sales would drop by 90%. If sales were dropped by 90% for six months, they would not be able to maintain their employees. After the six month period, they would probably sell a lot of vehicles, but realistically they would need more employees to handle the added business. He felt 20-25% of large ticket businesses would be pushed into bankruptcy. In three or four years, those with reserves would choose to liquidate their businesses to maintain their equity from their reserves and the big ticket places would be destroyed.

SEN. BOHLINGER thought those were good reasons to exempt automobiles.

CHAIRMAN DePRATU said he meant all big ticket items.

SEN. BOHLINGER thought the exemptions should include big ticket items in the seasonal sales tax. He would not want tax imposed that would cause businesses to fail.

SEN. SPRAGUE asked **Lee Heiman, Legislative Fiscal Division**, if the word durable goods captured all of that.

Mr. Heiman explained that in the cost of living indexes they define those types of items.

SEN. ELLINGSON said **CHAIRMAN DePRATU** had given a useful perspective. He wanted to look at the issue further and was uncomfortable with trying to rush something through.

SEN. EMILY STONINGTON asked **SEN. SPRAGUE** if he would work with the department. She said she was on the Governor's tourist tax advisory council and said they were also dealing with the problem of exemptions. She said she endorsed the bill when MACo was working on it. The bill had the potential to make up the revenue needed if there was an income tax reduction and the additional revenue that would be needed in the general session.

SEN. SPRAGUE advised that his original goal was that the bill would be implemented two years down the road.

Closing by Sponsor:

SEN. SPRAGUE closed on the bill.

EXECUTIVE ACTION ON SB 31

Motion: **SEN. STONINGTON** moved that **SB 31 BE TABLED**.

SEN. BILL GLASER advised that the chart was an eye opener and very worthwhile to have. He said he would make use of it.

Vote: Motion that **SB 31 BE TABLED** passed unanimously.

ADJOURNMENT

Adjournment: 1:05 P.M.

SEN. BOB DEPRATU, Chair

DEB THOMPSON, Secretary

BD/DT

EXHIBIT(tas06aad)